

Supervised recreational programs include T-Ball, Babe Ruth League, church league, Little League basketball and adult league softball.

Privately owned recreational facilities for miniature golf, roller skating and archery are also located in the area.

McCreary County is located in the southern portion of the Daniel Boone National Forest, a rugged 640,000 acre timberland stretching throughout east central Kentucky.

Scenic and recreational sites within 20 miles of Whitley City include Natural Arch Picnic and Scenic Area with a limestone arch, trails and sheltered picnic facilities; Sawyer Campground, featuring picnic areas and a boat launching ramp of Lake Cumberland; Yahoo Falls Picnic Area, with a shelter house, trails and rugged scenic view of a 113-foot waterfall; Alum Ford, a camping and boat launching area; Great Meadow Camping Area; Hemlock Grove with a picnic area and trout stream; Bell Farm Hunter and Horse Camp Site; Apple Tree Rifle Range; Barren Fork Primitive Camping Area; and Sheltowee Trace Natural Recreation Trail.

The Big South Fork National River and Recreation Area was developed by the US Army Corps of Engineers in cooperation with the National Park Service. The "National Area" is located along the Big South Fork of the Cumberland River from Whitley City in Kentucky, south to Oneida in Tennessee. Recreational opportunities in this rugged scenic area include whitewater rafting, canoeing, kayaking, camping, hiking, horse back riding and picnicking.

The Blue Heron Recreation Area, a restored mining camp, has been completed by the Corps of Engineers and is operated by the National Park Service. The interpretive exhibits provide visitors with an opportunity to witness life as it would have been when the mining camp operated on the banks of the Big South Fork of the Cumberland River. A campground, scenic overlooks and hiking trails are also located in this area.

The Big South Fork Scenic Railway offers a chance to see part of the rugged Cumberland River area by rail. The train operates on a regular schedule between Stearns and the Blue Heron

Recreation Area within the Big South Fork National River and Recreation area, a distance of about six miles in each direction.

Cumberland Falls State Resort Park is located 20 miles northeast of Whitley City near Corbin in the Daniel Boone National Forest. The park is famous for Cumberland Falls which drops 68 feet over a rock precipice and shows one of only two known "moonbows" in the world at full moon. The park offers 73 lodge rooms, woodland suites, 25 cottages, a convention center, camping, fishing, swimming, hiking, horseback riding, picnicking, tennis, backpacking, a nature center, shuffleboard, planned, recreation, a playground, a gift shop, and an amphitheater.

Lake Cumberland, accessible 23 miles north of Whitley City, is one of the nation's most productive fishing lakes with excellent bass, bluegill and crapping fishing. Covering of 50,000 acres, with over 1,200 miles of shoreline, the lake is well known for its scenic beauty amid the surrounding palisades and woodlands.

Community Improvements - The most significant activity in McCreary County involves the developments of the Blue Heron Recreation Area within the Big South Fork River and recreation area and the opening of the Stearns Museum. The US Corps of Engineers recently completed the construction of the Blue Heron Recreation Area which will be maintained by the National Park Service. The \$13.5 million project includes a reconstructed coal mining town with interpretive exhibits, related overlooks, trails, campground and roads. The McCreary County Heritage Foundation invested approximately \$120,000 in the Stearns Museum which exhibits memorabilia from the Stearns Coal and Lumber Company and McCreary County. In addition, downtown Stearns was recently placed on the National Register of Historic Places.

The final section of US 27 to be constructed was completed in the spring of 1990. Kentucky Highway 2279, providing access from US 27 to Stearns, was completed in the fall of 1989 and is to be renumbered as Kentucky Highway 92.

A sixty-bed nursing home facility was opened in Pine Knot in 1990. The McCreary County

Health Care Facility has 20 intermediate care beds and 40 skilled nursing beds.

The Highland Telephone Cooperative, Inc. has recently completed extensive improvements in the Stearns and Pine Knot areas. Telecommunication services were greatly enhanced by the project.

The McCreary County Airport Board recently received a \$275,000 grant from the Kentucky Office of Aeronautics to pave a 3,000 foot runway and taxiway and to construct an apron for 11 tiedowns. This project is expected to be completed in 1991. The Airport Board plans to apply for an additional matching funds grant to construct a hangar and an administration building. The \$100,000 grant would require the Airport Board to acquire \$50,000 in matching funds.

The McCreary County Water District is currently undergoing a line extension project which will add approximately 130 residential customers. A 50,000 gallon elevated tank will also be constructed. The \$1.9 million project is the first phase in a series of improvements to be implemented throughout the system. Phase II of the project will consist of the installation of a 10-inch line of the filtration plant. Proposed improvements to the water treatment plant include the addition of two new filters and a claricone, and additional improvements which will increase the plant's treatment capacity to 1.5 million gallons per day.

McCreary County has extended sewer lines to serve Whitley City, Stearns, Marshes Siding, and Pine Knot. Natural Gas lines are also being extended to these communities.

A new county health department is currently planned for Whitley City. The county plans to invest approximately \$625,000 in the project.

Site:

The site is an unimproved tract of land west of US 27. The tract contains 4.33 acres. The tract has 230 feet of road frontage along the east property line to an internal access road.

The road will be extended to Hwy 700, and intersects another road that extends to US 27. This phase of the development will



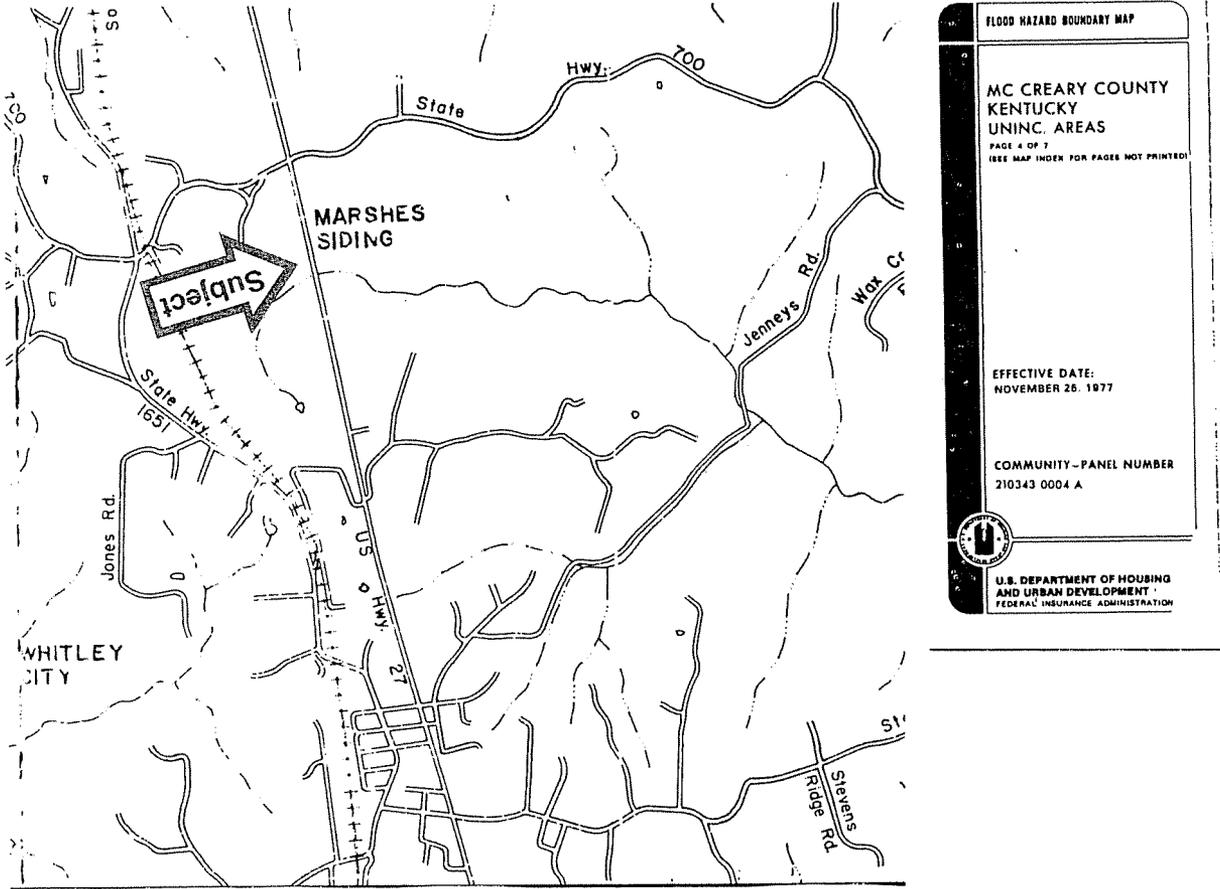
Street Scene

have one entrance/exit onto S US 27 as well as one onto Hwy 700. Visibility is good along US 27, so ingress and egress are not problems. The site is slightly above the road level of US 27, and has topography that would be classified as level-slightly roll. US 27 is maintained by the Commonwealth of Kentucky. There are no streetlights, storm sewers or sidewalks along US 27.

The legal description is in the addendum.

FEMA Flood Insurance Rate Map

The subject site is located in Zone C of the Federal Emergency Management Agency Flood Insurance Rate Map for Community 210343 Panel Number 0004 A dated 11-25-77. Zone C is a zone of no flooding or minimal flooding.



Improvements:

The subject site is unimproved

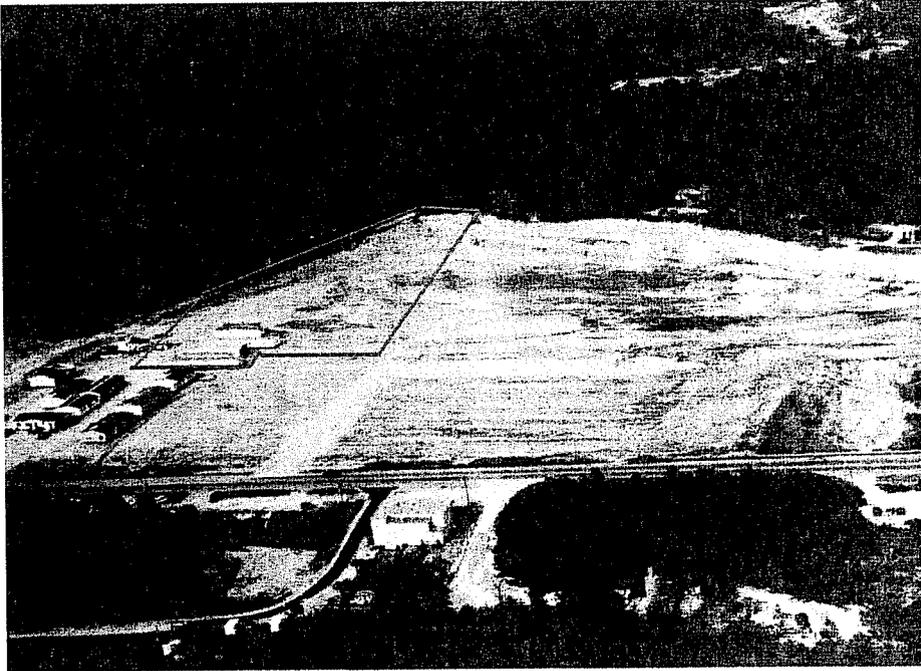
The site has all the public utilities. South Kentucky Rural Electric Co-operative Corporation provides electrical service. The McCreary County Water District provides public sewage and water. Natural Gas is provided by Citipower, LLC. Charter Communication provides the cable television service to the neighborhood and Highland Co-Operative provides the local telephone service.

The subject is appraised in an "as is " condition as of the date of the site visit, 16 January 2004.

Site from East (Front)



Aerial Photo of Site (Site in Orange)



Highest and Best Use

One of the major objectives of property analysis is to develop a conclusion about the highest and best, or most probable, use of the site and of the improved property. The information gathered and analyzed is all oriented toward that objective. Highest and best use is "that reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal". The highest and best use in the context of market value is the most probable use. Both the site and the improved property have a highest and best use at any given point in time. The highest and best use of the improved property may or may not be the same as the highest and best use of the site.

These definitions imply that ".....the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e. that the use determined from analysis represents an opinion, not a fact to be found."

Highest and best use must be reasonable, probable, and proximate (likely to occur soon, if not immediately). It is not speculative or conjectural. It may or may not be the present use of either the site or the improved property.

Highest and best use can change over time as external market forces change. These forces include effective demand and all its components, public tastes and standards, land use regulations (especially zoning), and competition. In addition, the character of the subject property itself may change, thereby changing its highest and best use. This is why highest and best use is always estimated as of the valuation date. In some instances, highest and best use may anticipate the market, provided the conclusion is reasonable, probable, and proximate.

A property must have utility, reflected through market demand, to have a market function. Function, in turn, determines use, and use is a major determinant of value in the context of existing current market forces. Since market value is always the highest price that an informed and prudent

purchaser would pay, the uses in terms of which market value is estimated is highest and best use.

In estimating highest and best use following property analysis, the appraiser goes through four considerations, which have been referred to:

1. POSSIBLE use (physical): What uses are physically possible on the subject site or in the subject improvements, given the physical characteristics revealed by property analysis?
2. PERMISSIBLE use (Legal): What uses are permitted under existing zoning and other land use regulations and controls, and under existing deed restrictions, for the subject property?
3. FEASIBLE use (Appropriate use): Among legally permitted and physically possible uses for the subject property, which are appropriate, given the characteristics revealed by market, neighborhood, and property analysis? Which uses produce any net return to the owner, or a positive net present value?
4. HIGHEST AND BEST use: Among appropriate or feasible uses for the subject property, which will produce the highest present value.

Present use of the property may differ from highest and best use of the site: "The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

The highest and best use of the subject site is a retail establishment., due to site size, location, and utility availability. Its proposed use would be acceptable as highest and best use.

Value Estimation as a Forecast

Because value is the present worth of anticipated future benefits or income, the appraiser's task is to forecast the benefits and amenities that will be produced by the realty being appraised over its remaining economic life. Then the appraiser must forecast the manner in which the typical, informed purchaser will react to these anticipated future benefits. Real estate appraisal is always forward-looking from the date on which the value estimate is made, whenever that may be.

Forecasting involves making an estimate of future happenings or conditions. It consists of estimating what will most probably happen in the future, based in part on trends in the recent past, but tempered with analytical judgment. The appraiser making an estimate of value is, in fact, making a forecast of what will probably occur under stipulated market conditions. Prediction involves foretelling the future with an applied degree of accuracy or precision that is beyond the capacity of the appraiser. An estimate of value is simply that---an estimate. The appraiser has no mystic or occult powers to foresee the future with certainty.

Projection is a mechanical process of extrapolation or extending the experience of the past into the future via a mechanical formula. This may be simple straight-line projection or it may be based on a more complex formula. In either event, it is based on the presumption that the market will support the projections or forecasts.

Methods of Appraisal

There are generally three accepted approaches to market value. The cost approach or summation approach, which includes the valuation of raw land by comparison with recent sales of similar tracts being vacant plus the depreciated replacement cost of all improvements. The sales comparison approach, which is the process of comparing recent sales of similar properties to that of the subject, making adjustment for measurable differences. The income approach, which is based upon the premise that the income stream that a property is able to produce, when capitalized, will give a direct indication of a properties value.

In this report, the sales comparison approach is the only one utilized due the nature of the appraised parcel (vacant land). The market has been analyzed to provide an adjusted comparison of sales of this type of property. The market data approach is relied upon to give a fair indication of the subject.

Land Valuation

In order to estimate the market value of the subject's 4.33-acres, a comparison has been made of recent sales of vacant land within the market area. Recent and similar sales were found and verified. The analysis of the site data has included consideration of various dissimilar features that influence value; such as size, location, physical utility and development potential of the sales presented. The following comparable sales are considered based on their comparative attributes of the subject. No time adjustments for data of sales are made as no appreciation can be abstracted from the marketplace.

Adjustments for cash equivalency are not required on any of the land sales. Purchasers typically have cash for the land or incorporate the land cost in their construction loans. Owner financing is not typical for these types of properties.

Sales Comparison Approach (Land)-Sale # 1

Grantor: Joe Jackson and
Gladys Jackson, his wife

Grantee: Shelva J. Jones

Date of Sale: 4/20/99

Sales Price: \$125,000

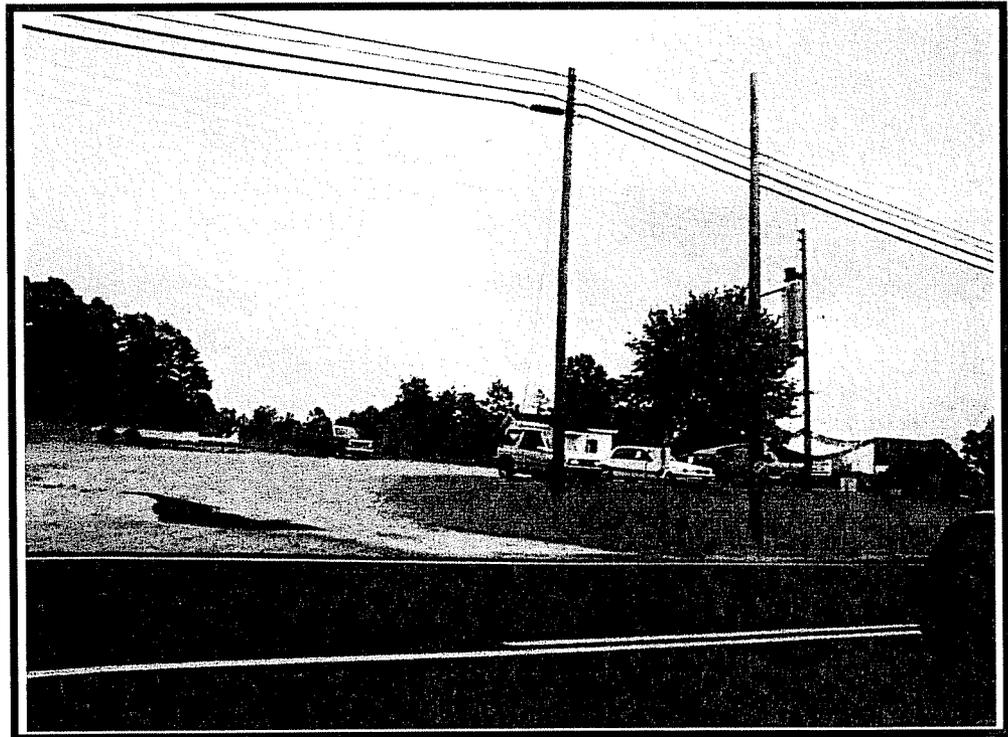
Size of Tract: 0.236 Acres

\$/Acre: \$529,661/acre

Location: S US 27 & KY 92
Pine Knot, KY
4-5 miles south

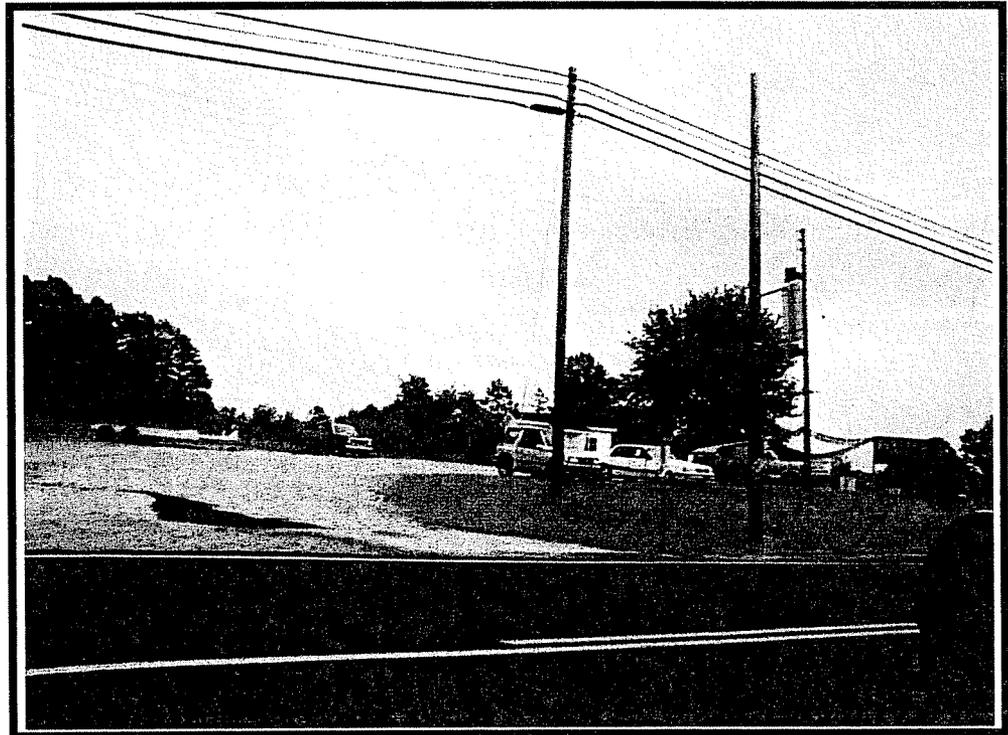
Improvements: Vacant

Data Source: Deed Book 149 Page 377, PVA
& site visit



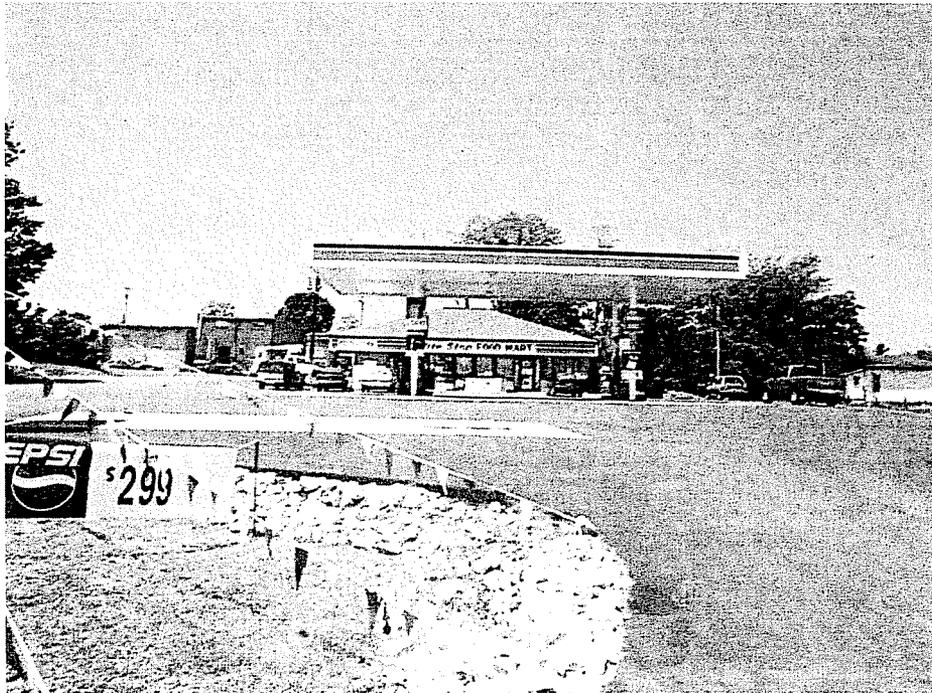
Sales Comparison Approach (Land)-Sale # 2

Grantor: Jerry C. Stephens
Grantee: Shelva J. Jones
Date of Sale: 4/20/99
Sales Price: \$200,000
Size of Tract: 2.07 Acres
\$/Acre: \$96,618/acre
Location: S US 27 & KY 92
Pine Knot, KY
4-5 miles south
Improvements: Vacant
Data Source: Deed Book 149 Page 381, PVA
& site visit



Sales Comparison Approach (Land)-Sale # 3

Grantor: George W. Hatfield, Jr.
Grantee: Roy Bruce
Date Of Sale: 3/28/96
Sales Price: \$62,500
Size Of Tract: 0.39 Acre
\$ Per Acre: \$160,256/acre
Location: US 27
1-2 miles south
Improvements: Vacant at time of sale.
Data Source: Deed Book 137 Page 672, owner
& site visit.



Sales Comparison Approach (Land)-Sale # 4

Grantor: Roy R. Jones and
Jennifer Jones, his wife

Grantee: Kirby Cordell and
Kimberly Cordell, his wife

Date Of Sale: 8/31/00

Sales Price: \$150,000.00

Size Of Tract: 0.61 Acres

\$ Per Acre: \$245,902/acre

Location: US 27
Across Highway

Improvements: C-Store (Razed)

Data Source: Deed Book 154 Page 519, owner, appraisal records & site visit.



Sales Comparison Approach (Land)-Sale # 6

Grantor: Marcus Corder

Grantee: Kirby & Kimberly Cordell

Date of Sale: 8/31/00

Sales Price: \$70,000

Tank Removal: \$15,000

Size of Tract: 1.0 Acres

\$/Acre: \$70,000/acre

Location: Off US 27
500-750 feet south

Improvements: The site was improved with underground and aboveground tanks, since removed.

Data Source: Deed Book 154 Page 526, appraisal files,
& site visit

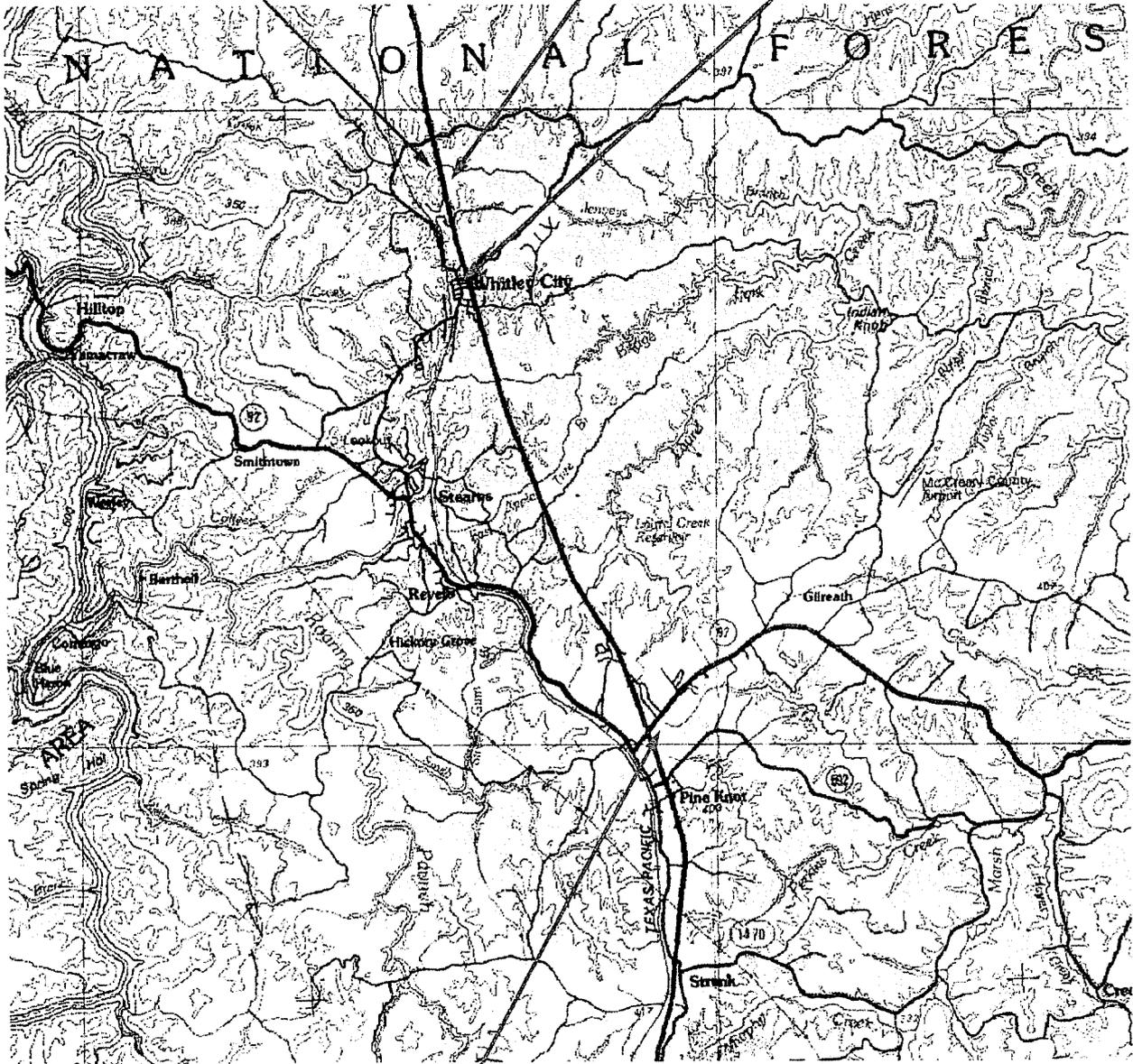


**Sales Comparables
Vacant Land**

Subject
4.43 Acres

Comp 4 & 5
\$220,000
1.61 Acres

Comp 3
\$62,500
0.39 Acres



Comp 1 & 2
\$325,000
2.306 Acres

Correlation Grid

The correlation grid recites sales of properties most similar to subject that have been considered in the market analysis.

Item	Subject	Comp 1	Comp 2	Comp 1 & 2	Comp 3
Address	The Oaks Dev.	US 27 & Hwy 92	US 27 & Hwy 92	US 27 & Hwy 92	US 27 & Court St
	Whitley City	Pine Knot	Pine Knot	Pine Knot	Whitley City
Proximity		4-5 Miles South	4-5 Miles South	4-5 Miles South	1-2 Miles South
Sales Price		\$125,000.00	\$200,000.00	\$325,000.00	\$62,500.00
Lot Size (Acres)	4.33	0.236	2.07	2.306	0.39
\$/Acre		\$529,661.02	\$96,618.36	\$140,936.69	\$160,256.41
Data Source		DB 149 Pg 377	DB 149 Pg 381		DB 137 Pg 672
Verified		PVA/Site Visit	PVA/Site Visit		Owner/Site Visit
Date of Sale		4/20/1999	4/20/1999	4/20/1999	3/28/1996
Location	Average	Good	Good	Good	Average
Topography	Level	Level	Level	Level	Below Grade
Indicated Price		\$2,293,432.22	\$418,357.50	\$610,255.85	\$693,910.26

Item	Subject	Comp 4	Comp 5	Comp 4 & 5
Address	The Oaks Dev.	US 27	US 27	US 27
	Whitley City	Whitley City	Whitley City	Whitley City
Proximity		Across Street	Across Street	Across Street
Sales Price		\$150,000.00	\$70,000.00	\$220,000.00
Adjustment	Tank Removal	N/A	\$15,000.00	\$15,000.00
Adjusted Sales Price			\$85,000.00	\$235,000.00
Lot Size (Acres)	4.33	0.61	1	1.61
\$/Acre		\$245,901.64	\$85,000.00	\$145,962.73
Data Source		DB 154 Pg 519	DB 154 Pg 519	
Verified		Owner/Site Visit	Owner/Site Visit	
Date of Sale		8/31/2000	8/31/2000	8/31/2000
Location	Average	Good	Good	Good
Topography	Level	Level	Level	Level
Indicated Price		\$1,064,754.10	\$368,050.00	\$632,018.63

Comments on Sales Comparison Approach-Land

The Market Data represents similar tracts from the similar areas of the county and supports the value well. The distance from the subject, condition, location and improvements have been considered in the valuation process. All sales are closed.

Comparable Sale # 1 sold for \$125,000 for 0.236 acres or \$529,661 per acre. The tract is in the southeast quadrant of the US 27/KY 92 intersection in Pine Knot. It is slightly above road grade with similar topography. It has been improved with a co-branded convenience store/fast food restaurant.

Comparable Sale # 2 sold for \$200,000 for 2.07-acres or \$96,618.36 per acre. The Combined total is \$325,000 for 2.306 acres or \$140,936.69/Acre.

Comparable Sale # 3 sold for \$62,500 for 0.39 acres or \$160,256 per acre. The site was purchased by the same buyer as Comparable # 3 and is located across the street from same. It too required site work to bring up to road grade. It has been improved with a convenience store.

Comparable Sale # 5 sold for \$150,000 for 0.65-acre or \$230,769.23 per acre. The site was improved with a convenience store, gas pumps and canopy, which were razed. The tract is the front portion of the new Long John Silvers/Pizza Inn.

Comparable Sale # 6 sold for \$70,000 for 1.00-acre or \$70,000 per acre. The site was improved with a small jobber. The tanks were removed at a cost of \$15,000. It is to the rear of Comp # 5 and is part of the Long John Silvers/Pizza Inn site.

The property is located off Hwy 27 and would be considered second tier property. Typical second tier property sells for ¼ to ½ of the road front property. In a typical market where the demand and supply were in equilibrium, one would expect the market value of the 4.33-acre tract to be in the \$435,000 to \$485,000 acre range. The two key components that must be thoroughly understood before it is possible to develop the proper value judgments and selection of the appropriate comparable data: supply and demand and highest and best use. The highest and best use normally would not be covered in the appraisal because of the nature of the appraised parcel, vacant land, but the future use of the Tract (Community Center) and the impact that this use will have on the amount of on-site traffic generated by the building for the remaining development. The developer originally planned for this section of The Oaks to an office park. The adjoining tract is medical. The developer had plans on a pharmacy as well as two-three more medical offices. The developer of the office park had would want an owner/tenant that would generate consistent traffic flow for the development at all times.

The supply and demand is a factor that must be dealt with also. The four components of supply and demand are: utility, scarcity, desire and effective purchasing power. Utility-the ability of a product to satisfy a human want, need or desire- and scarcity- the present, or anticipated supply of an item relative to the demand for it- are supply factors while desire-a purchaser's desire for an item to

satisfy human needs or individual wants beyond the essentials required to support life- and effective purchasing power-the ability of an individual or group to participate in a market- are demand factors.

The desire of South Kentucky RECC is to be on Hwy 27 near its present operation. Its present operation is located across the street from the development. The supply of available tracts on Hwy 27 is very limited. All available vacant tracts are part of the Oaks Development. There are no tracts with older buildings that contribute little to the overall sales price of the tract-where the client could purchase the property and raze the building. Utility-the appraised tract is in/near the location desired by the client, and has all available utilities as any tract upon 27, along with good accessibility and last is the effective purchasing power of the client-equal to that of any other potential national or regional purchaser. The use of the property as a community center does not require the present location. It can be anywhere within the Oaks Development, or anywhere else. The present location is one of the better 2nd tier properties within the development, due to its proximity to the medical offices. .

- **Summary**

- The comparables sales range from \$70,000 per acre to \$529,661.02 per acre. The combined comps (1& 2)-(4&5) as well as Comp 3 have a mean of \$149,051.94 per acre. Taking all comparable sales into consideration and giving equal weight to all, a market value as though vacant and fee simple acquisition would be \$150,000 per acre. The land value can now be determined.

$$4.33\text{-acre} \times \$150,000 = \$649,500$$

Rounded to: \$650,000

The Sales Comparison Approach Indicates a Value of \$650,000*

*This value is for the land as though vacant, and available for sale with a fee simple estate.

Income Approach

The income approach will not be utilized in the valuation process.

Cost Approach

The Cost Approach is not applicable due the nature of the subject-vacant land.

Reconciliation

The Sales Comparison Approach has indicated a fee simple value of **\$650,000** for the **4.33-acre tract**.

The Income Approach to value was not utilized due to a lack of rental data and corresponding sales data.

The Cost Approach was not applicable due to the nature of the tract-vacant land.

All approaches were considered in the valuation process. The Sales Comparison Approach was the only method utilized, and has indicated a value of **\$650,000** for the **4.33-acre tract**.

The Indicated Value of the Subject Property Is \$650,000

Recap

Cost Approach:	Not Applicable
Income Approach	Not Utilized
Sales Comparison Approach	\$650,000
Final Estimate Of Value	\$650,000



Mark H. Vaught
General Real Property Appraiser
License # 2271

ADDENDA

REGISTERED PROFESSIONAL ENGINEER
REGISTERED LAND SURVEYOR



JAMES A. WEST, P.L.S. & L.S.

Wayne Engineering Associates, Inc.

KY. 90 BY-PAGE @ KY. 92 JCI.

Post Office Box 329

Madinville, Kentucky 42423

(606) 348-8797

LEGAL DESCRIPTION

LYING AND BEING IN WHITLEY CITY, KENTUCKY AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

UNLESS OTHERWISE STATED, ANY MONUMENT REFERRED TO HEREIN AS A "REBAR AND CAP" IS A 5/8" X 18" REBAR WITH A YELLOW PLASTIC SURVEY CAP STAMPED "JIM WEST, P.L.S. 2086." ALL BEARINGS STATED HEREIN ARE REFERRED TO THE MAGNETIC MERIDIAN AS BASED UPON A MAGNETIC READING TAKEN 11/03/2000.

TRACT #1

BEGINNING ON A REBAR AND CAP AND BEING LOCATED A REFERENCE LINE OF; N. 12 DEG. 12 MIN. 03 SEC. E. 208.22 FT. FROM A REBAR AND CAP AT THE S.-E. CORNER OF THE WILLIE SLAVEN PROPERTY (D.B. 69, PG. 469). REBAR AND CAP BEING A CORNER TO WILLIE SLAVEN AND STEPHENS PROPERTIES (PLAT BOOK 2A, PG. 116).

THENCE FROM THE BEGINNING, WITH THE LINE OF STEPHENS PROPERTIES; N. 84 DEG. 35 MIN. 57 SEC. E. 265.18 FT. TO A REBAR AND CAP. THENCE; N. 05 DEG. 07 MIN. 27 SEC. W. 170.42 FT. TO A REBAR AND CAP BEING A CORNER TO STEPHENS PROPERTIES AND AN EXISTING 50 FT. R/W. THENCE, CROSSING SAID R/W; S. 84 DEG. 52 MIN. 33 SEC. W. 50 FT. TO A REBAR AND CAP BEING A CORNER TO SAID R/W. THENCE, WITH SAID R/W; N. 05 DEG. 07 MIN. 27 SEC. W. 230.00 FT. TO A REBAR AND CAP BEING A CORNER TO SAID R/W AND STEPHENS PROPERTIES. THENCE, S. 84 DEG. 27 MIN. 19 SEC. W. 182.00 FT. TO A REBAR AND CAP BEING A CORNER TO STEPHENS PROPERTIES. THENCE, A NEW SEVERING LINE; S. 84 DEG. 25 MIN. 22 SEC. W. 328.10 FT. TO A REBAR AND CAP BEING A NEW CORNER TO STEPHENS PROPERTIES. THENCE, WITH THE LINE OF STEPHENS PROPERTIES; S. 13 DEG. 04 MIN. 17 SEC. W. 171.82 FT. TO A REBAR AND CAP BEING A CORNER TO STEPHENS PROPERTIES AND WILLIE SLAVEN. THENCE, WITH THE LINE OF WILLIE SLAVEN; S. 61 DEG. 11 MIN. 18 SEC. E. 420.12 FT. TO THE POINT OF BEGINNING.
CONTAINING 4.33 ACRES, MORE OR LESS.

TRACT #2

BEGINNING ON A REBAR AND CAP, AND BEING REFERENCED; N. 13 DEG. 04 MIN. 17 SEC. E. 171.82 FT. FROM THE S.-W. CORNER OF **TRACT #1** AND BEING THE N.-W. CORNER OF **TRACT #1** AND A CORNER TO STEPHENS PROPERTIES (PLAT BOOK 2A, PG. 116).

THENCE, FROM THE BEGINNING, WITH THE LINE OF **TRACT #1**; N. 84 DEG. 25 MIN. 22 SEC. E. 328.10 FT. TO A REBAR AND CAP BEING A CORNER TO **TRACT #1** AND STEPHENS PROPERTIES. THENCE, WITH THE LINE OF STEPHENS PROPERTIES N. 05 DEG. 07 MIN. 27 SEC. W. 278.00 FT. TO A REBAR AND CAP BEING A CORNER TO STEPHENS PROPERTIES. THENCE, A NEW SEVERING LINE; S. 84 DEG. 27 MIN. 19 SEC. W. 217.30 FT. TO A REBAR AND CAP BEING A NEW CORNER TO AN EXISTING 50 FT. R/W. THENCE, WITH SAID R/W; S. 07 DEG. 34 MIN. 53 SEC. W. 28.59 FT. TO A REBAR AND CAP IN THE SAID R/W. THENCE, STILL WITH SAID R/W; S. 16 DEG. 05 MIN. 09 SEC. W. 60.12 FT. TO A REBAR AND CAP BEING AT SAID R/W AND A CORNER TO STEPHENS PROPERTIES. THENCE, WITH STEPHENS PROPERTIES; S. 19 DEG. 27 MIN. 00 SEC. W. 159.38 FT. TO A REBAR AND CAP

BEING A CORNER TO STEPHENS PROPERTIES. THENCE, STILL WITH STEPHENS PROPERTIES; S. 13 DEG. 04 MIN. 17 SEC. W. 52.76 FT. TO THE POINT OF BEGINNING. CONTAINING 1.73 ACRES, MORE OR LESS.

TRACT #3

BEGINNING ON A REBAR AND CAP AND BEING REFERENCED FROM THE N.-W. CORNER OF **TRACT #2**; N. 84 DEG. 27 MIN. 19 SEC. E. 399.30 FT. TO A REBAR AND CAP SET AT AN EXISTING 50 FT. R/W AND BEING A CORNER TO STEPHENS PROPERTIES (PLAT BOOK 2A, PG. 116).

THENCE FROM THE BEGINNING, RUNNING WITH SAID R/W; N. 03 DEG. 40 MIN. 05 SEC. W. 634.53 FT. TO A REBAR AND CAP BEING A CORNER TO SAID 50 FT. R/W AND KY. 700 (R/W VARIES). THENCE, WITH THE R/W OF KY. 700 AS FOLLOWS; S. 59 DEG. 13 MIN. 05 SEC. W. 142.93 FT. TO A REBAR AND CAP. THENCE, S. 50 DEG. 50 MIN. 18 SEC. W. 92.59 FT. TO A REBAR AND CAP AT THE R/W OF KY. 700 AND AN EXISTING 50 FT. R/W. THENCE, MEANDERING SAID 50 FT. R/W AS FOLLOWS; S. 05 DEG. 48 MIN. 36 SEC. W. 129.75 FT. TO A REBAR AND CAP. THENCE; S. 17 DEG. 25 MIN. 52 SEC. W. 16.59 FT. TO A REBAR AND CAP. THENCE; S. 15 DEG. 43 MIN. 57 SEC. W. 152.26 FT. TO A REBAR AND CAP. THENCE; S. 18 DEG. 22 MIN. 49 SEC. W. 106.01 FT. TO A REBAR AND CAP. THENCE; S. 34 DEG. 02 MIN. 31 SEC. W. 110.61 FT. TO A REBAR AND CAP. THENCE; S. 07 DEG. 34 MIN. 53 SEC. W. 56.97 FT. TO A REBAR AND CAP AT SAID 50 FT. R/W AND BEING A CORNER TO **TRACT #2**. THENCE, WITH THE LINE OF **TRACT #2**; N. 84 DEG. 27 MIN. 19 SEC. E. 217.30 FT. TO A REBAR AND CAP BEING A CORNER TO STEPHENS PROPERTIES AND **TRACT #2**. THENCE, WITH THE LINE OF STEPHENS PROPERTIES; N. 84 DEG. 27 MIN. 19 SEC. E. 182.00 FT. TO THE POINT OF BEGINNING.

CONTAINING 3.68 ACRES, MORE OR LESS.

ALL TRACTS ARE TOGETHER WITH AND SUBJECT TO COVENANTS, EASEMENTS, AND RESTRICTIONS OF RECORD.

BEING PART OF AND SEVERED FROM THE SAME LAND AS CONVEYED TO STEPHENS PROPERTIES AS RECORDED IN PLAT BOOK 2A, AT PAGE 116 IN THE McCREARY COUNTY CLERK'S OFFICE IN WHITLEY CITY, KENTUCKY.



James A. West
12/16/03

General Underlying Assumptions

Legal Matters

The legal description used in this report is assumed to be correct, but it may not necessarily have been confirmed by survey. No responsibility is assumed in connection with a survey or for encroachments or overlapping or other discrepancies that might be revealed thereby. Any sketches included in the report are only for the purpose of aiding the reader in visualizing the property and are not necessarily a result of a survey.

No responsibility is assumed for an opinion of legal nature, such as to ownership of the property or condition of title.

The appraisers assume the title to the property to be marketable; that, unless stated to the contrary, the property is appraised as an unencumbered fee which is not used in violation of acceptable ordinances, statutes or other government regulations.

Unapparent Conditions

The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable than otherwise comparable property. The appraisers are not experts in determining the presence or absence of hazardous substance, defined as all hazardous or toxic materials, water, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property.

The appraisers assume no responsibility for the studies or analysis which would be required to conclude the presence or absence of such substance or for loss as a result of the presence of such substances. The client is urged to retain an expert in this field, if desired. The value estimate is based on the assumption that the subject property is not so affected.

Information & Data

Information, estimates, and opinions furnished to the appraisers and contained in the reports, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers can be assumed by the appraisers.

All mortgages, liens, encumbrances, and servitudes have been disregarded unless so specified within the appraisal report.

Contingent and Limiting Conditions

The certification of the appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the appraiser in the report.

1. The appraiser assumes no responsibility for matters legal in nature affecting the property appraised or the title thereto nor does the appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraiser has made no survey of the property.
3. The appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the appraiser and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser can be assumed by the appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Uniform Standards of Professional Appraisal Practice (USPAP).
8. Neither all, nor any part of the contents of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to the appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if the appraisal fee is paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, any state or federally approved financial institutions, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the appraiser.
9. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner.

Environmental Disclaimer

The value estimated in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous materials and environmental conditions on or around the property that would negatively affect its value.

Certification

The appraiser certifies and agrees that:

1. The appraiser has no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The appraiser has no personal interest in or bias in respect to the subject matter of the appraisal report or the participants to the sale. The "estimated of market value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
3. The appraiser has personally inspected the property, both inside and out, and has made an exterior inspection of all comparable sales listed in the report. To the best of the appraiser's knowledge and belief, all statements and information in this report is true and correct and the appraiser has not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions Contained in the report).
5. This appraisal report has been made in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP), and is subject to, the requirements of the code of professional ethics and standards of the Uniform Standards of Professional Appraisal Practice (USPAP).
6. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the appraiser whose signature appears on the appraisal report, unless indicated as "review appraiser". No change of any item in the appraisal report shall be made by anyone other than the appraiser, and the appraiser shall have no responsibility for any such unauthorized change.

The subject property is appraised as though under responsible ownership and competent management.

Zoning and Licenses:

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconforming use have been stated, defined and considered in the valuation.

It is assumed that the subject property complies with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.

It is assumed that the subject property complies with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.

It is assumed that the information relating to the location of or existence of public utilities that has been obtained through a verbal inquiry from the appropriate utility authority, or has been ascertained from visual evidence is correct. No warranty has been made regarding the exact location or capacities of public utility systems.

It is assumed that all licenses, consents or other legislative or administrative authority from local, state, or national governmental or private entity or organization have been, or can be, obtained or renewed for any use on which the value estimate contained in the valuation report is based.

General Limiting Conditions

The appraisers will not be required to give testimony or appear in court due to preparing the appraisal with reference to the subject property in question, unless prior arrangements have been made.

Possession of the report does not carry with it the right of publication. Out-of-context quoting from or partial reprinting of this appraisal report is not authorized. Further, neither all nor part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraisers signing this appraisal report.

Any copy that does not have an original signature of the appraiser is unauthorized and may have been altered, and is considered invalid.

Disclosure of the contents of this report is governed by the Standards and Statements of the Uniform Standards of Professional Appraisal Practice (USPAP). Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected) shall be disseminated to the public through advertising media, public relations media, new media, sales media or any other public means of communication without the prior written consent and approval of the author.

The distribution of the total valuation in this report, between land and improvements, is applicable only as a part of the whole property. The land value, or the separate value of the improvements, must not be used in conjunction with any other appraisal or estimate and is invalid if so used.

No environmental or concurrent impact studies were either required or made in conjunction with the appraisal report. The appraisers, thereby, reserve the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental or concurrent impact studies, research or investigation.

An appraisal related to an estate in land that is less than the whole fee simple estate applies only to the fractional interest involved. The value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate considered as a whole.

The appraisal report related to a geographical portion of a larger parcel is applied only to such geographical portion and should not be considered as applying with equal validity to other portions of the large parcel or tract. The value for such geographical portions plus the value of all other geographical portions may or may not equal the value of the entire parcel or tract considered as an entity.

The appraisal is subject to any proposed improvements or additions being completed as set forth in the plans, specifications, and representations referred to in the report, and all work being performed in a good and workmanlike manner. The appraisal is further subject to the proposed improvements or additions being constructed in accordance with the regulations of the local, county, and state authorities. The plans, specifications, and representations referred to are an integral part of the appraisal report when new construction or new additions, renovations, refurbishing, or remodeling applies.

If the appraisal is used for mortgage loan purposes, the appraisers invite attention to the fact that

1. the equity case requirements of the sponsor have not been analyzed,
2. the loan ratio has not been suggested, and
3. the amortization method and term have not been suggested.

The function of this report is not for use in conjunction with a syndication of real property. This report cannot be used for said purposes and, therefore, any use of this report relating to syndication activities is strictly prohibited and unauthorized. If such an unauthorized use of this report takes place, it is understood and agreed that Childers Financial Services has no liability to the client/and or third parties.

Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general underlying assumptions and general limiting conditions. The appraisers' duties, pursuant to the employment to make the appraisal, are complete upon delivery and acceptance of the appraisal report. However, any corrections or errors should be called to the attention of the appraisers within 60 days of the delivery of the report.

Mark H. Vaught

General Real Property Appraiser Childers Financial Services, Inc.

205 Parkers Mill Road
Somerset, KY 42501

606/678-4956 ~ 606/679-8742-Fax ~ mark_vaught@charter.net

Experience

1994 – Present Childers Financial Services

Real Estate Appraiser

- Primary role is Commercial Real Estate Appraisal.
- Perform 2 – 3 appraisals a week in mostly South Central Kentucky (Pulaski and adjoining counties.
- General Real Property Appraiser--# 2271–1999 –Present
- Residential Real Property Appraiser--# 1627–1996-1999
- Associate 1994-1996

1979–1994 Frank Vaught Engineers

Instrument Man/Party Chief/Draftsman

- Worked on Road Construction and Survey Crew in South Central KY

Education

1996-1997 Wilson Education Group

- 208 Hours-12 Courses-of Real Estate/Appraisal Courses
- University of Kentucky-56 Hours
- 1966-1979 Somerset School System
- Graduated 1979
- Continuing Education
- 2004 USPAP Update –7 Hours

Appraisal Activity Area

Pulaski County and adjoining counties are our **primary service area.**

Counties in which I have appraised property are as follows:

Adair, Allen, Anderson, Barren, Bath, Butler, Boyle, Clark, Clay, Clinton, Cumberland, Garrard, Hardin, Hart, Jefferson, Jessamine, Knox, Larue, Laurel, Lincoln, Madison, Marion, **McCreary**, Mercer, Owen, **Pulaski**, **Rockcastle**, Rowan, **Russell**, Scott, Taylor, Warren, **Wayne**, **Whitley** as well as the following cities in Tennessee: Celina, Cookeville, Gatlinburg, Jellico, Oneida, Sparta, and Tellico Village

Miscellaneous

1999-2002 Pulaski County PVA's Board of Assessment

1999-Present – Member– Somerset Planning and Zoning Board

1999- Present – Member– Somerset Board of Adjustments

Appraisal References

- **Branch Banking & Trust**

Somerset ~ 606/679-4375

Mark Johnson, Chief Executive Officer/City Manager

Steve Abbott, Commercial Lending Officer

- **Monticello Banking Company**

Somerset ~ 606/451-0388

Regina Brinson, President/Sr. Executive Officer

Ralph Gibson, Loan Officer

Russell Springs ~ 270/866-7322

Scott Grider, President/Sr. Executive Officer

- **Citizens National Bank of Somerset**

Somerset ~ 606/679-6341

Jerry Claunch, Vice President

Joe Platt, Vice President

- **Cumberland Security Bank**

Somerset ~ 606/679-9361

Mike Simpson, President/CEO

Mark Ross, Vice President

Sharon Wheeldon, Vice President

- **Cumberland Valley National Bank & Trust Co.**

Somerset ~ 606/676-0784

C. V. Hansford, Executive Vice President/Branch Manager

- **Bank of McCreary County**

Whitley City ~ 606/376-5031

Jimmy Johnson, Vice President, Commercial Lending

Kentucky Real Estate Appraisers Board

2003-04

Hereby grants a

*Certified General Real Property Appraiser
Certificate*

License No^o 002271

To *Mark H. Vaught
312 Crab Orchard Rd.
Somerset, KY 42503*

*who has complied with the provisions of Chapter 324A of the Kentucky Revised Statutes IN WITNESS
WHEREOF, we have caused the official seal to be affixed and attested for the year shown above.*



*Maxine L. Smith, Chairman
Judy Walters, V. Chairman
Carol Dupont
C.W. Wilson
Jennifer Nickles*

Maxine L. Smith

Control No^o 17506

June 30, 2004

THIS CERTIFICATE EXPIRES

Appraisal Summary

Subject Address:..... N Hwy. 27

City:..... Whitley City

County:..... McCreary

State:..... Kentucky

Zip Code:..... 42653

Cost Approach Value:..... \$ 365,000

Income Approach Value:.....\$ 225,000

Sales Comparison Approach Value:.....\$ 350,000

Client:..... South Kentucky RECC

Contact:..... Allen Anderson

CEO

Appraiser:..... Clifford L. Childers

Date of Appraised Value:... 1 May 2003

Final Estimate of Value:..\$ 325,000

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Childers' Financial Services, Inc.

205 Parkers Mill Road
Somerset, Kentucky 42501

Telephone 606/678-4956
Fax 606/679-8742
E-Mail cchilders@charter.net

14 May 2003

Mr. Allen Anderson
Chief Executive Officer
South Kentucky Rural Electric Co-Op Corporation
925-929 N Main Street
PO Box 910
Somerset, KY 42502

RE: South Kentucky RECC Building
N Hwy 27
Whitley City, KY 42653

Dear Allen:

In accordance with your request, I have personally visited the above referenced property on the 1st of May 2003. The purpose of the site visit was to appraise the property in order to estimate the fair market value of the subject property as of the 1st of May 2003, with the present improvements.

Based upon the examination and study made, I have formed the opinion that the fair market value of the subject property, as of the 1st of May 2003 is:

Three Hundred Twenty Five Thousand Dollars
(\$325,000)

The following report represents, in detail, the appraisal and analysis of the data along with other materials upon which the estimate of value is predicated.

Respectfully submitted,



Clifford L. Childers
General Real Property
Appraiser # 0615

Appraisal Report

I. Subject Property:	The subject property is an improved tract of real estate containing 3.318-acres on the east side of US 27 in the Whitley City Community of McCreary County.
II. Improvements:	Subject site is improved with two buildings. Building No. One is a pre-engineered steel building containing 3,226 square feet. Building No. Two is frame garage with steel siding containing 2,000 square feet. The site is further improved with an asphalt parking lot, sown grass and natural vegetation.
III. Cost Approach	\$365,000
IV. Income Approach	\$225,000
V. Sales Comparison Approach	\$350,000
VI. Final Estimate of Value	\$325,000

- VII. **Date Of Site Visit:** 1 May 2003
Effective date of the Appraisal: 1 May 2003
- VIII. **Type Of Appraisal:** Complete Appraisal
Type Of Report: Summary Appraisal Format
- IX. **Intended Use:** To determine market value of the real estate and present improvements for negotiation purposes.
- X. **Intended User:** Allen Anderson
Chief Executive Officer
And members of the Board of Directors of South Kentucky RECC are the intended users specified in the report, along with any state or federally instrumentality so entitled.
- XI. **Appraiser:** Clifford L. Childers
Appraiser

Property Rights Appraised

The property rights herein appraised are fee simple. Fee simple ownership is defined as the best and highest level of ownership in real property, while fee simple ownership is the highest degree of ownership it does not guarantee the unrestricted exercise of the bundle of right associated with real property ownership.

The subject property is appraised assuming it to be free and clear with no encumbrances, encroachments, or restriction violations affecting the property. The subject area is in an area, which is presently not zoned.

Scope of Appraisal

The scope of this appraisal will be to estimate the market value in an “as is” condition as of the date of site visit, the 1st of May 2003.

To reach this valuation, the scope includes the following.

1. A site visit of the property. We/I do not warrant the structural integrity of existing structure(s), but unless otherwise noted, it is assumed to be of sound construction with all mechanical, plumbing and electrical systems in good working order. It is assumed that all proposed structure(s) will be constructed in a manner to pass all necessary building codes.
2. A search of the public record relative to the subject. This search encompasses, among other things, tax and assessment information, easement(s), both private as well as public, deed restrictions, zoning, conditional uses, variances, history of the property, etc.
3. A summary of neighborhood and regional area characteristics.
4. Analysis of physically possible uses, legally permissible uses, and all feasible uses in order to estimate the highest and best use of the subject property.
5. Research of public record for comparable sales and listings. Telephone verification, where possible, of all sales and listing with the buyer, seller or their representatives. Comparison of the comparable properties to the subject with consideration of such differences as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning and highest and best use.
6. The three recognized approaches to value, cost, Sales Comparison and Income, will be developed unless sufficient supporting data is not available or the nature of this assignment precluded application of any approach.
7. The preparation of a narrative appraisal report in compliance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraiser has met the competency provision as required by USPAP and is capable of completing the appraisal assignment competently.

Purpose of the Appraisal & Definition of Market Value

The purpose of this appraisal is to estimate the market value of the subject property for Mr. Allen Anderson, Chief Executive Officer, South Kentucky RECC for negotiation purposes, as of the 1st of May 2003. (This appraisal is completed following the guidelines of the Uniform Standards of Professional Appraisal Practice) For the purpose of this report, market value is defined as the most probable price, which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised , and each acting in what he considers his own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs, which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered lay a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.